FDIC State Profile

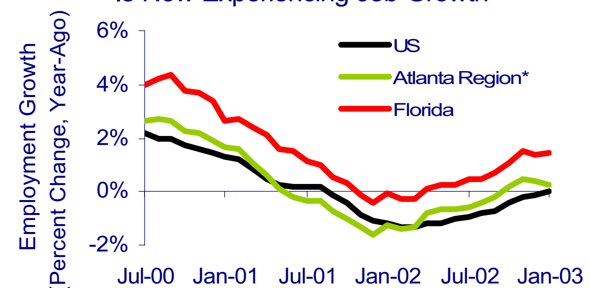
SUMMER 2003

Florida

Economic growth in Florida remains moderate, but well above the regional and national averages.

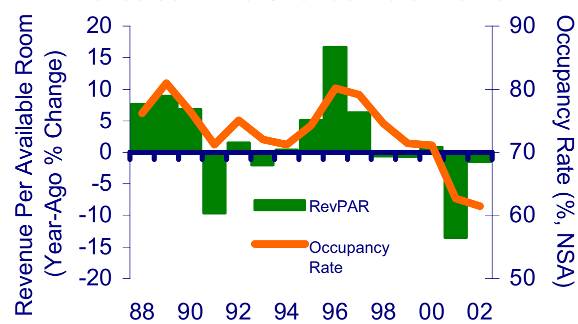
- Florida began experiencing job growth in late summer 2002 (see **Chart 1**), and as of early 2003, was one of the two states in the Atlanta Region that reported positive year-over-year job gains. Payrolls, however, have continued to contract in the ***Melbourne, Pensacola, and Tallahassee*** metro areas. Although state employment growth remains modest, it exceeded the national and Atlanta Region averages.
- Along with most states in the nation, Florida faces a growing budget crisis. According a report by the American Legislative Exchange Counsel, the latest figures as of April 2002 show a $3 billion shortfall for the 2003–2004 fiscal year. In an effort to balance the budget, the state workforce will be reduced by five percent each year for the next five years, and tuition at state colleges will be increased.
- Tourism remains a critical component of the Florida economy. In the aftermath of September 11, this industry and others, such as transportation, have struggled to grow. Following nine consecutive quarters of declines, revenue per available hotel room rebounded during the fourth quarter of 2002, but still finished the year with a loss (see **Chart 2**). Lower than expected levels of visitorship have exacerbated Orlando's already declining occupancy rates, and tourism may suffer further with geopolitical uncertainties. However, the recovery may be slowest in South Florida where tourism is dependent on visitors from Latin America, an area that continues to face economic troubles.
- Despite the recent national economic downturn, home prices in many metropolitan areas in Florida continue to appreciate. In fact, the median home price in the ***West Palm Beach, Sarasota, Miami,*** Melbourne, Ft. Lauderdale, ***Ft. Myers, Ft. Pierce,*** and ***Gainesville*** MSAs rose by more than 10 percent from one year earlier in fourth-quarter 2002. If home price appreciation exceeds income growth over the long term, the potential for the development of housing price bubbles exists. Imbalances between income and home price growth during the past few years have occurred in several Florida metropolitan markets, most notably ***Naples*** (see **Map 1**).

Chart 1: After a Period of Steady Decline, Florida Is Now Experiencing Job Growth



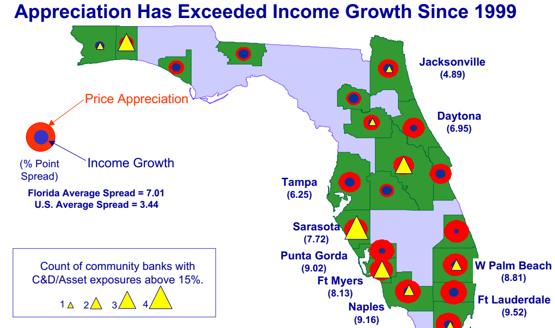
*Atlanta Region includes AL, FL, GA, NC, SC, VA, WV.
Source: Bureau of Labor Statistics/Haver Analytics

Chart 2: Slow Recovery in the Tourism Sector Is Reflected in the Orlando Hotel Market



Source: Torto Wheaton Research

Map 1: Metropolitan Areas Where Home Price Appreciation Has Exceeded Income Growth Since 1999

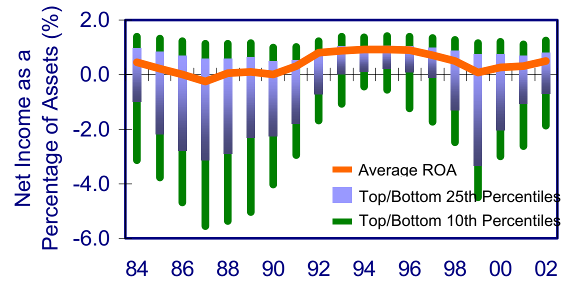


Source: WEFA, Inc., Office of Federal Housing Enterprise Oversight (OFHEO)/Haver Analytics, Bank Call Reports. Data through year-end 2002.

Insured institutions headquartered in Florida experienced stable earnings performance, but deterioration in asset quality may be nearing.

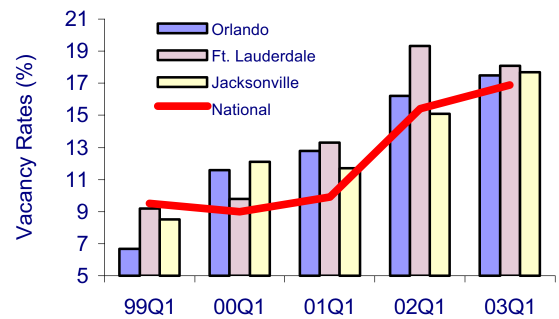
- The median net interest margin of Florida community banks[1] grew by six basis points during 2002 to 4.32 percent, but remains below the ten-year average. Equivalent declines in the cost of funds and yields on earning assets were offset with improved efficiencies and lower provision expenses, resulting in the slight increase in margins. As a result, profitability as measured by return on assets (ROA) rebounded after falling in 2001. The median ROA rose 11 basis points year-over-year to finish 2002 at 0.81 percent (see **Chart 3**).
- Loan growth at Florida community banks was mostly static during the year as the median loan-to-asset ratio at these institutions remained at 68 percent. Despite economic weakness, the commercial real estate[2] loan portfolio continued to expand and comprised 50 percent of total loans at year-end 2002, up from 44 percent at December 31, 2001. Construction and development and nonresidential loans were the fastest growth segments, growing 40 and 26 percent, respectively, over the 12-month period.[3]
- Markets[4] in Florida with the greatest CRE exposures as of year-end 2002 were ***Sarasota, West Palm Beach, Ft. Lauderdale,*** and ***Orlando.*** Close to 25 percent of the banks operating in these MSAs reported a CRE to total assets ratio that ranks in the 90th percentile of the Region's insured institutions. This relatively high exposure level increases the vulnerability of banks in these MSAs to rising or higher than average vacancy rates[5] (see **Chart 4**).
- Office vacancies in the Ft. Lauderdale and West Palm Beach MSAs have started to trend downward, but remained above the national average as of first quarter 2003. Furthermore, asset quality among community banks headquartered here has not shown any noticeable signs of deterioration. In Orlando, vacancy rates continued rising and surpassed the national average, but asset quality in this area has also been maintained. Significant growth in CRE lending could be masking potential asset-quality problems among banks headquartered in these areas.

Chart 3: Profitability has Improved at Community Banks Headquartered in Florida



[1]Commercial banks with assets less $1 billion in assets.
Source: Bank Call Reports, December 31st.

Chart 4: Office Vacancy Rates in some Florida MSAS are Above Average and are Rising



Source: Torto Wheaton Research

- MSAs that report substantial CRE and C&D exposures have also experienced slowing economic conditions as evidenced by rising vacancy rates and higher levels of unemployment. In addition, *de novo* banks comprise a large percentage of total insured institutions. These areas can be considered "markets at risk," because of a combination of strong competitive pressures, relatively high credit exposures and loan growth rates, and weak economic conditions. The Sarasota MSA is included among these markets.

[1] Community banks have less than $1 billion in assets and exclude specialty institutions and thrifts.

[2] Commercial real estate consists of construction and development, nonresidential, and multifamily loans.

[3] Growth rates are merger-adjusted.

[4] Sample consists of MSAs with ten or more institutions.

[5] Vacancy rate information is from Torto Wheaton/Research.

Florida at a Glance

General Information	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Institutions (#)	301	305	311	319	292
Total Assets (in thousands)	99,924,756	88,804,360	82,619,313	106,862,316	99,075,250
New Institutions (# < 3 years)	35	71	76	71	34
New Institutions (# < 9 years)	113	111	106	96	59

Capital	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Tier 1 Leverage (median)	8.50	8.66	8.98	9.05	8.52

Asset Quality	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Past-Due and Nonaccrual (median %)	1.07%	1.17%	1.12%	0.98%	1.49%
Past-Due and Nonaccrual >= 5%	16	35	28	13	26
ALLL/Total Loans (median %)	1.19%	1.15%	1.16%	1.18%	1.15%
ALLL/Noncurrent Loans (median multiple)	2.27	2.16	1.66	2.33	1.83
Net Loan Losses/Loans (aggregate)	0.25%	0.27%	0.31%	0.37%	0.30%

Earnings	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Unprofitable Institutions (#)	48	61	79	86	49
Percent Unprofitable	15.95%	20.00%	25.40%	26.96%	16.78%
Return on Assets (median %)	0.84	0.70	0.72	0.79	0.87
25th Percentile	0.36	0.19	-0.01	-0.13	0.37
Net Interest Margin (median %)	4.21%	4.12%	4.43%	4.29%	4.36%
Yield on Earning Assets (median)	6.51%	7.72%	8.37%	7.63%	8.07%
Cost of Funding Earning Assets (median)	2.28%	3.57%	3.91%	3.30%	3.63%
Provisions to Avg. Assets (median)	0.25%	0.23%	0.23%	0.20%	0.17%
Noninterest Income to Avg. Assets (median)	0.75%	0.72%	0.72%	0.76%	0.92%
Overhead to Avg. Assets (median)	3.26%	3.43%	3.61%	3.76%	3.62%

Liquidity/Sensitivity	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Loans to Deposits (median %)	81.43%	82.06%	79.23%	79.02%	72.65%
Loans to Assets (median %)	69.28%	69.23%	67.28%	65.76%	63.04%
Brokered Deposits (# of Institutions)	71	60	40	32	30
Bro. Deps./Assets (median for above inst.)	5.32%	4.20%	3.44%	1.64%	1.17%
Noncore Funding to Assets (median)	21.26%	20.50%	19.35%	17.26%	15.93%
Core Funding to Assets (median)	68.15%	67.72%	68.48%	69.68%	72.55%

Bank Class	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
State Nonmember	157	155	150	146	130
National	71	75	82	89	84
State Member	32	30	33	37	36
S&L	3	4	3	4	5
Savings Bank	38	41	43	43	37
Mutually Insured	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Miami FL PMSA	45	33,581,608	14.95%	33.61%
No MSA	42	6,691,388	13.95%	6.70%
Tampa-St Pete-Clearwater FL	34	9,056,896	11.30%	9.06%
Orlando FL	27	7,524,937	8.97%	7.53%
W Palm Beach-Boca Raton FL	21	5,754,770	6.98%	5.76%
Ft Lauderdale FL PMSA	19	7,193,914	6.31%	7.20%
Sarasota-Bradenton FL	18	2,706,790	5.98%	2.71%
Jacksonville FL	13	2,694,560	4.32%	2.70%
Naples FL	11	5,455,249	3.65%	5.46%
Ft Myers-Cape Coral FL	9	1,906,625	2.99%	1.91%
Daytona Beach FL	9	751,244	2.99%	0.75%
Lakeland-Winter Haven FL	7	1,904,788	2.33%	1.91%
Ft Walton Beach FL	7	1,718,661	2.33%	1.72%
Pensacola FL	6	1,325,781	1.99%	1.33%
Ft Pierce-Port St Lucie FL	6	5,566,516	1.99%	5.57%
Tallahassee FL	6	2,402,881	1.99%	2.40%
Ocala FL	5	439,740	1.66%	0.44%
Melbourne-Titusville-Palm Bay FL	5	476,863	1.66%	0.48%
Punta Gorda FL	4	611,128	1.33%	0.61%
Gainesville FL	4	601,933	1.33%	0.60%
Panama City FL	3	1,558,484	1.00%	1.56%